

CALIFORNIA STATE TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 15

ATTACHMENT(S): 3

ACTION: _____

DATE OF MEETING: July 7, 1999

INFORMATION: X

PRESENTER(S): Mr. Mitchell

The following is a summary of the developments in the financial markets that have occurred between June 1, 1999 and June 22, 1999.

1. The yield on the 30-year U.S. Treasury bond has increased from 5.82% to 6.06%.
2. The market level of the S&P 500 Index has increased from 1,301 to 1,336.
3. The U.S. dollar has strengthened compared to pound sterling (1.61 to 1.59) and euro (104 to 103) while weakening compared to the yen (122 to 121).
4. The Federal Reserve Board of Governors will hold their meeting on June 29, 1999. The Federal Reserve is expected to increase the Fed Funds target rate by 0.25% to 5.00% while leaving the discount rate of 4.50% unchanged.

California State Teachers' Retirement System
Investment Summary
For the Period ended May 31, 1999

Attachment I
Page 1

Investment Summary - Market Value (amounts in millions)									
Asset	This Month		One Year Ago		Three Years Ago		Five Years Ago		
Domestic Equity	\$	43,925	45.6%	\$	34,918	40.4%	\$	20,441	32.6%
International Equity		21,856	22.7%		18,349	21.2%		9,486	15.1%
Fixed Income		25,108	26.1%		25,724	29.8%		24,305	38.8%
Global Asset Allocators		N/A	N/A		2,564	3.0%		2,370	3.8%
Private Equity		4,540	4.7%		3,629	4.2%		2,681	4.3%
Liquidity		835	0.9%		1,240	1.4%		3,399	5.4%
Total Market Value	\$	96,264	100.0%	\$	86,424	100.0%	\$	62,682	100.0%
								\$	48,289
									100.0%

Performance Returns for Major Asset Categories						
Asset	Month	Fiscal YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity	-1.83	13.33	17.00	22.68	22.80	16.68
Int'l Equity	-4.29	6.62	6.30	7.63	8.20	N/A
Fixed Income	-1.47	2.44	3.79	9.44	9.30	9.55
Real Estate	N/A	N/A	21.91	17.05	13.32	5.91
Alternative Investments	N/A	N/A	19.47	25.64	26.32	15.51
Liquidity	0.45	5.43	6.04	6.08	5.89	6.09
Total Fund	-2.19	9.23	11.36	14.78	14.31	12.07
Indicies						
Domestic Equity Custom	-1.90	14.32	18.19	24.01	24.12	17.13
MSCI AC ex US	-4.70	4.72	4.32	6.79	7.14	6.24
Salomon LPF	-1.32	2.26	3.43	8.84	8.89	9.44
Real Estate Custom	N/A	N/A	15.31	12.90	10.67	5.30
T-Bill	0.38	4.32	4.75	5.08	5.19	5.25
Consumer Price Index	0.73	2.71	2.83	2.26	2.56	3.06
Wilshire 5000	-2.19	13.70	17.69	23.40	23.76	16.96
Russell 3000	-1.90	14.32	18.19	24.22	24.11	17.28
MSCI EAFE	-5.15	3.58	4.36	7.63	7.69	6.01
LB Gov / Corp	-1.03	3.01	4.06	7.77	7.78	8.51

Allocations of Cash and Reallocations of Assets (does not include changes in the market value)		
	Current Month	Past 12 Months
Cash Inflow:		
Contributions & misc receipts	\$ 276.5	\$ 3,201.8
Less: Benefits & misc. payments	\$ (19.8)	\$ (3,452.1)
Investment Income	\$ 317.7	\$ 3,047.3
Total Cash Inflow	\$ 574.4	\$ 2,797.0
Cash Allocation:		
Domestic Equity	\$ 41.0	\$ 2,086.1
International Equity	\$ 51.1	\$ 1,256.3
Fixed Income	\$ 311.8	\$ (24.9)
Global Asset Allocators	\$ 1.4	\$ (618.9)
Private Equity	\$ 14.9	\$ 540.7
Liquidity	\$ 154.2	\$ (442.2)
Total Cash Allocation	\$ 574.4	\$ 2,797.0

California State Teachers' Retirement System
Investment Structure
For the period ended May 31, 1999

Attachment 1
Page 2

<i>Asset Allocation Percentage</i>				
Assets	Actual	Target	Difference	Range
Public Equity	63.1%	63.0%	0.1%	57 - 69
Public Debt	26.9%	27.0%	(0.1%)	23 - 32
Private Equity	9.9%	10.0%	(0.1%)	8 - 12
Total Investment Assets	100.0%	100.0%		
<i>Which can be compared to the strategic targets</i>				
Active - Domestic Equity	7.5%	7.6%	(0.1%)	6 - 9
Passive - Domestic Equity	38.1%	30.4%	7.7%	29 - 41
Allocated Not Funded	-5.2%	0.0%	(5.2%)	
TOTAL DOMESTIC EQUITY	40.4%	38.0%	2.4%	35 - 41
Active - International Equity	7.6%	12.5%	(4.9%)	11 - 14
Passive - International Equity	15.1%	12.5%	2.6%	11 - 14
TOTAL NON-US EQUITY	22.7%	25.0%	(2.3%)	22 - 28
TOTAL PUBLIC EQUITY	63.1%	63.0%	0.1%	57 - 69
<i>Real Estate</i>	2.2%	5.0%	(2.8%)	
<i>Alternative Investments</i>	2.5%	5.0%	(2.5%)	
Allocated Not Funded	5.2%	0.0%	5.2%	
TOTAL PRIVATE EQUITY	9.9%	10.0%	(0.1%)	8 - 12
Passive - Domestic Debt	24.8%	26.0%	(1.2%)	23 - 29
Active - Other Debt	1.3%	0.0%	1.3%	
TOTAL DEBT	26.1%	26.0%	0.1%	23 - 29
Liquidity	0.9%	1.0%	(0.1%)	0 - 3
TOTAL DEBT & LIQUIDITY	26.9%	27.0%	(0.1%)	23 - 32
TOTAL INVESTMENT ASSETS	100.0%	100.0%		

PLEASE NOTE: Attachment 2 is not available in electronic format at this time.

California State Teachers' Retirement System
Internal S&P 500 Indexed Portfolio Return

The California State Teachers' Retirement System's internal S&P 500 Indexed Portfolio (Portfolio) was \$1,267,749,136 as of May 31, 1999. The performance objective of the Portfolio is to closely track the return of the S&P 500 Index. Table 1 summarizes the results for the Portfolio, the benchmark S&P 500 Index, and the difference, called "tracking error."

Table 1: S&P 500 Performance

Period	Portfolio Return	Index Return	Tracking Error
3/31/98 – 12/31/98	12.892	12.975	-0.083
12/31/98 – 5/31/99	6.442	6.420	+0.022

Portfolio return calculated by State Street Bank Analytics.

The total return for the Index was calculated by Wilshire Associates.